

# AIA Japan Balanced Fund

August 2023

## Investment Objective

This fund seeks to achieve long-term capital appreciation through investment primarily in equities and equity-related securities of Japanese companies, as well as stable income with capital preservation through investments in primarily fixed income securities of high credit quality issuers, denominated primarily in SGD, in such proportion as the manager deems fit.

## Key Fund Facts

(As of 31 August 2023)

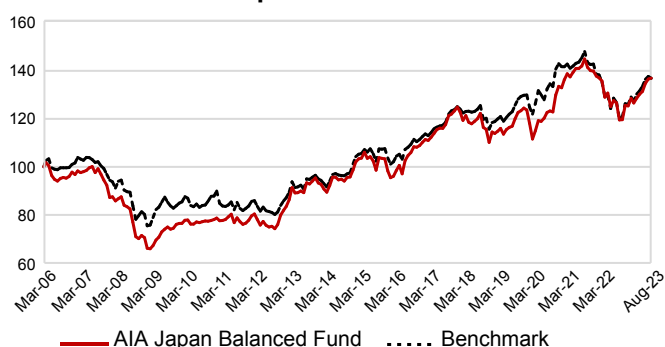
<b>Launch Date</b>	9 March 2006	<b>Subscription</b>	Cash, CPF(OA & SA) and SRS
<b>Launch Price</b>	SGD 1.000	<b>Pricing Frequency</b>	Daily
<b>Manager of ILP Sub-Fund</b>	AIA Investment Management Private Limited	<b>Management Fees</b>	1.50% p.a. of Net Asset Value
<b>Name of Underlying Fund(s)</b>	<b>Equities:</b> Nikko AM Shenton Japan Fund <b>Fixed Income:</b> AIA Investment Funds – AIA Singapore Bond Fund	<b>Bid Offer</b>	SGD 1.299 SGD 1.368
<b>Manager(s) of Underlying Fund(s)</b>	Nikko Asset Management Asia Limited and AIA Investment Management Private Limited	<b>Fund Size</b>	SGD 17.7M
<b>Risk Classification</b>	Medium to High Risk		

## Performance

(As of 31 August 2023)

Period	1 Month	3 Months	6 Months	1 Year	3 Year <sup>^</sup>	5 Year <sup>^</sup>	10 Year <sup>^</sup>	Since Inception <sup>^</sup>
<b>Fund (bid-to-bid)</b>	0.31%	4.25%	8.16%	8.16%	3.73%	2.66%	4.36%	1.81%
<b>Benchmark</b>	-0.56%	2.40%	7.45%	7.91%	1.09%	2.00%	4.56%	2.26%

### AIA Japan Balanced Fund



Notes (1) Performance of the fund is in SGD on a bid to bid basis with net dividends reinvested, without taking into consideration the fees and charges payable through deduction of premium or cancellation of units (2) ^ denotes annualised returns (3) Current Manager: AIA Investment Management Private Limited (w.e.f 1 November 2017), Current Underlying Manager (Equities): Nikko Asset Management Asia Limited (w.e.f 27 June 2011), Current Underlying Manager (Fixed Income): AIA Investment Management Private Limited (w.e.f. 13 July 2021), (4) Current benchmark: 60% TOPIX\* Index & 40% Markit iBoxx SGD Overall Index TR (w.e.f.13 July 2021), \* W.e.f 1 May 2017 net total return index methodology is used, prior to 1 May 2017, price index methodology was used. (5) Previous benchmark: 60% TOPIX\* Index & 40% JP Morgan Sing Govt Bond Index All

The combined benchmark is reflective of the fund's investment focus

Past Performance is not necessarily indicative of future performance.

Source: AIA Singapore

## Sector Allocation - Equities

(As of 31 August 2023)

Top 5 Sectors	Holdings (%)
Industrials	24.10
Consumer Discretionary	23.90
Information Technology	11.00
Financials	10.70
Communication Services	8.30
<b>TOTAL</b>	<b>78.00</b>

Source: Nikko Asset Management Asia Limited, Information from the underlying Nikko AM Shenton Japan Fund

## Top Holdings

(As of 31 August 2023)

Top 5 (Equities)	Holdings (%)	Top 5 (Fixed Income)	Holdings (%)
TOYOTA MOTOR CORP.	4.00	Singapore (Govt of) 3.375% 01/09/2033	7.01
SONY GROUP CORPORATION	3.80	Singapore Government Bond 2.625% 01/08/2032	5.37
MITSUBISHI UFJ FINANCIAL GROUP, INC.	3.40	Singapore Government Bond 2.25% 01/08/2036	4.77
NINTENDO CO., LTD.	3.10	Singapore (Govt) 2.75% 01/04/2042	4.48
HITACHI,LTD.	2.90	Singapore (Government Of) 2.875% 01/07/2029	4.43
TOTAL	17.20	TOTAL	26.06

Source for Equities: Nikko Asset Management Asia Limited, Information from the underlying Nikko AM Shenton Japan Fund

Source for Fixed Income: AIA Investment Management Private Limited, Information from the underlying AIA Investment Funds – AIA Singapore Bond Fund

## Manager's Commentary - Equities

(As of 31 August 2023)

The Japanese equity market was mixed in August. The market was initially bearish until mid-month due to a major rating agency downgrading US debt and concerns regarding an economic slowdown in China. Subsequently, Japanese stocks rebounded to an extent as excessive anxieties surrounding US monetary tightening dissipated following Fed Chair Powell's speech at the Jackson Hole Economic Symposium, which was largely in line with expectations. Of the 33 Tokyo Stock Exchange sectors, 24 sectors rose, with Marine Transportation, Mining, and Oil & Coal Products posting the strongest gains. In contrast, 9 sectors declined, including Precision Instruments, Electric Appliances, and Air Transportation.

The Fund outperformed the benchmark's monthly return of -0.31% in SGD terms. Sector allocation and stock selection both contributed positively to performance during the month. In terms of sector allocation, the underweight in Pharmaceuticals and Foods and the overweight in Nonferrous Metals detracted from performance, while the underweight in Precision Instruments, as well as the overweight in Transportation Equipment and Mining contributed positively to performance.

In terms of individual stocks, detractors included electronics and game/entertainment conglomerate Sony Group, electronic component maker Rohm, nonferrous metals smelter Sumitomo Metal Mining, fishing equipment maker Globeride, and outdoor apparel and gear maker Snow Peak as their share prices declined on-month. Positive contributors included sportswear manufacturer Asics, homebuilder Sumitomo Forestry, glass fibre maker Nitto Boseki, marine products company Nippon Suisan, and major confectionary maker Morinaga & Company.

Global equity markets continue to climb, behind expectations for strong global economic growth and rising anticipation for a Goldilocks scenario. A correction could be likely in the near term due to seasonal factors, but share prices should continue trending upwards in the medium term. Market conditions (including Japan's positive yield being anticipated to become steeper) also appear highly likely to remain favourable to value stocks for now.

## Manager's Commentary - Fixed Income

(As of 31 August 2023)

Global activity data released in August continued to depict a broad economic slowdown though that is not strong enough to trigger an increase in unemployment. Manufacturing PMIs picked up slightly but generally remained in contraction territory. Meanwhile, services PMIs continued to decline rapidly and are now on average showing very limited growth. However, certain countries are doing better than others. The US is supported by strong non-residential investment while Europe and China are showing subpar rates of growth. Inflation continued to improve gradually but underlying inflation drivers are still too high for central banks to consider rate cuts. Monetary policy stance is likely to remain restrictive, although the scope for further rate hikes is now limited.

The Fed's commitment to fighting inflation was reiterated at the Jackson Hole symposium, which implied higher for longer policy rates. US policy makers took note of the stickiness in services prices while property prices generally came in stronger than expected. In addition, crude oil prices also reached their highest levels since November 2022. Meanwhile, consumer spending remained strong although the labour market began to show some signs of weakening (less job openings and higher unemployment rate). Leading indicators for Q3 are pointing to GDP growth well above potential, which shows the difficulty faced by the Fed to cool demand.

In China, economic indicators released in August continued to disappoint, especially retail sales. Similarly, industrial production came out weaker than expected as domestic consumption, private investment and foreign demand remained soft. Subpar growth also dragged consumer and producer inflation down into negative territory. Against this backdrop, the government took a slew of measures at the end of August to boost the property market and facilitate access to bank loans while more can be expected before year end.

Yields spiked in August on bond supply concerns (US Treasury refunding size was larger than anticipated and signals more supply will likely be necessary in future quarters) as well as positive economic surprise. Consequently, the US Treasuries curve steepened in August with 5yr/10yr/30yr yields rising by 8bp/15bp/20bp respectively. Like in the US, 30yr underperformed in the UK, Germany and Australia. Overall, long US bonds underperformed UK and Australian bonds. As at end August, the Fund held a slightly overweight duration position vs the benchmark on an overall level and has an overweight allocation to corporates segment where all-in yields remain attractive.

Source: Nikko Asset Management Asia Limited for equities and AIA Investment Management Private Limited for fixed income

Please refer to the Product Summary applicable to the investment-linked policy which you have purchased or intend to purchase for these applicable fees and charges.

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